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NOTES

THE SENSE OF THE STATE

Thirty-five years ago, when Japan emerged from the feudal system and started to adopt the institutions, the form of government, and the laws of western nations, the leaders of this movement invited experts from Europe and America to aid them in the task of reformation. The new government was face to face with a programme of enormous difficulty and complexity. Japan needed a total reorganization of the national and local governments. She needed to create a modern army and navy; to establish banks, telegraphs, railways, a postal system, schools, a university. She had the task of revising the laws for the transfer of land and other property, personal and real; to abolish the old Chinese system of medicine, and to replace it with a more rational system; to organize a new method of local and national taxation, and a thousand other indispensable necessities of modern civilization. Wisely then did the Japanese invite the assistance of foreigners in this great work; and, as it happened, nearly all the early advisers were Americans. America at this time held a high place, not only in the affections, but in the judgment, of the Japanese. It was due to an American, Commodore Perry, that Japan had in part abandoned her policy of seclusion, and it was due to another American, Townsend Harris, less known but as much entitled to credit as Commodore Perry, that the treaty was enlarged and certain available treaty ports were thrown open to the commerce of the world.

In nearly all the various departments of the reorganized Japanese government American advice was followed. America was the home of individual initiative, of personal liberty; and in the years following the downfall of the Shogunate, 1869-72, these ideas were guiding-stars to the Japanese. In the field of economic development the influence of Americans was absolutely decisive at this time, as a single instance will indicate. A banking system for the issue of notes was necessary, and in accordance with American advice a national banking system was established precisely on the lines of the American national banking system. The first law was

passed in 1872, and several banks of issue were organized under this law. Later, in 1876, the law was amended, and a larger number of banks of issue were established. These banks for the most part had a charter for twenty years. The note issue was based, just as in the case of the American system, on a deposit of government bonds.

The position of Japan in regard to reforming her institutions was and is peculiar in this respect, that she had no preferences or exclusions, no traditions or shibboleths, in the matter of choice beyond the absolute merits of each case. Before her at this time (1870) were the civilizations of Europe and America to select from, and she went to work in a quite practical and hard-headed manner in the matter of selection. She profited quickly by experience, and when she saw that a given line of procedure was not advantageous, she quickly abandoned it for something better. Her experience with the national banking system was very unsatisfactory. It was found that business and credit were unstable; that there was restriction when an extension of credit was desirable, and expansion when conservatism was needed. At last a commission was appointed to go abroad to investigate all modern banking systems. After a very thorough examination, the commission recommended the establishment of a central bank of issue, mainly on the model of the Bank of Belgium. In accordance with this report, the Nippon Ginko was chartered—a semi-government institution with a capital of 30,000,000 yen, of which the government itself was to hold a considerable fraction. It has a monopoly of the note issue of the empire, and several branch banks in the larger commercial centers; its profits are shared with the government, and it is a government depository. Above all, it can expand its note issue at will beyond the legal limit on payment of a tax of 5 per cent. on the excess to the government. The unanimous opinion of Japanese authorities is that the bank is an immense improvement on the older segregated banking system, and has provided a far more stable credit machinery for the commercial interests of the country.

Many other instances could be given showing how in the first intention American advice was followed in Japan, and then later discarded. The mode of transferring land was at first copied literally from the American method. Later on transfer of land through a land office was substituted for the cumbrous and expensive American system. During the past year the Japanese government

has entirely reversed its old policy with regard to railways. It has purchased all the private lines and merged them into one comprehensive system of state railways.

What is the criticism that the Japanese and the European advisers of the Japanese government make with regard to American advice and American ideas? It is this, that Americans do not have an organic, comparative, or coherent idea of a national policy. All their conceptions, and the advice based on these conceptions, are scattered, fragmentary, and unrelated. America, the Japanese believe, no doubt has good institutions in spots, but it does not work them out organically. Now, the Japanese, above all, desire a strong state as a base for further growth and reform. There must be a definite purpose in the general scheme of political development. They dislike the American method of individual and fragmentary opinionativeness, and prefer the European method of finding as much common ground as possible for all parties, and uniting on this as a working basis.

Recently an English writer, Mr. H. G. Wells, who has been studying America and American opinions, has in a very acute way pointed out this characteristic quality of the American mind. In his volume of criticism, entitled *The Future in America*, he has a chapter on "State Blindness in America." The criticism is so pertinent that no American with a vision taking in more than merely his own private interests can read it without benefit to his intellectual horizon. It is precisely the sort of criticism that an experienced and educated Japanese would make from his own knowledge of American ideas and American advice. Says Mr. Wells:

First and chiefly I have to convey what seems to me the most significant and frequent thing of all. It is the matter of something wanting, that the American shares with the great mass of prosperous middle-class people in England. I think it is best indicated by saying that the typical American has no "sense of the state." I do not mean that he is not passionately and vigorously patriotic. But I mean that he has no perception that his business activities, his private employments, are constituents in a larger collective process; that they affect other people and the world forever, and cannot, as he imagines, begin and end with him. He sees the world in fragments; it is to him a multitudinous collection of individual "stories"—as the newspapers put it. If one studies an American newspaper, one discovers it is all individuality, all a matter of personal doings, of what so and so said and how so and so felt. All these individualities are unfused. Not a touch of abstraction or generalization, no thinnest atmosphere of reflection, mitigates

these harsh, emphatic, isolated happenings. The American, it seems to me, has yet to achieve what is, after all, the product of education and thought, the conception of a whole to which all individual acts and happenings are subordinate and contributory.

The tendency of the typical and successful American is to look at all state and social activities largely through the medium of his private and personal interests. "What are we here for, if not for the offices?" is but a crude form of this kind of thinking. The Japanese feel this. While they value personal liberty as intensely as any people, they abhor the fragmentary view of life. Individually the Japanese may not be as shrewd, as clever in business, as the Chinese. But they have what the Chinese have not—a "sense of the state," of the immense importance of collective and civilized action, of wise organization, of social discipline. This is the secret of their successes in war, in commerce, in their various competitions with the nations of the West.

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RICARDO AND MARX

The philosophic foundations of political economy were of no great concern to Ricardo. He thought in practical terms of business life, and not upon the assumptions upon which his theory was based. He was a man of affairs rather than a scholar. He lived during the the time of the industrial revolution, when enterprises were carried on largely under the entrepreneur régime. He was concerned with the proportional distribution of the products of industry. The question of cost was for the most part a commodity cost to the entrepreneur. The questions of concern are: What is the process by which the entrepreneur gets the portion of the product falling to him? And under what circumstances and influences does it vary? The same inquiries must be made concerning wages and rent.

Ricardo's age in England was distinctly an industrial era, and he was intimately connected with the business life of his time. The man who thinks in terms of the industrial process must express himself in quantitative terms of time and mechanical efficiency. This may account largely for his habit of speaking in mechanical terms. Ricardo doubtless had philosophical assumptions, but they